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# Financial Plan and Fund Structure

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Recent months have highlighted both the continued financial improvement of the District and the challenges it faces in maintaining balanced budgets. The FY 2005 Proposed Budget and Financial Plan similarly reflects the outcome of difficult choices that have been made, and will be required on an ongoing basis, to achieve fiscal balance.

At the end of January 2004, the District released its Comprehensive Annual Financial Report (CAFR), showing that FY 2003 was the seventh consecutive year of surplus. The audit of the District's finances again merited an unqualified ("clean") opinion. At the end of FY 1996, the District's fund balance showed nearly a \$500 million accumulated deficit; seven years later, it has a nearly \$900 million accumulated surplus--a turnaround of about \$1.4 billion.

The Wall Street bond rating agencies have recognized the District's improved financial status by upgrading the ratings on its debt. Two agencies--Standard & Poor's and Fitch--increased their ratings from BBB-plus to A-minus in June of 2003, and a third--Moody's--kept the rating the same but gave a positive outlook. These actions represent a vote of confidence for the District's financial prospects, and they come at a time when other jurisdictions are having their ratings downgraded.

With this good news, however, comes reminders of the ongoing pressures on the District's finances. Shortly after the release of the

CAFR, the Mayor and the Council of the District of Columbia agreed on a plan to resolve budget pressures for FY 2004. These budget pressures were concentrated in areas that have seen much of the expenditure growth in the past few years, such as the Human Support Services agencies. The solutions included allocating nearly all of the FY 2004 reserve funds and other available resources, unless the District receives supplemental appropriation authority.

Although revenues are projected to grow as the recent recession has given way to the beginnings of recovery, the District again faces challenges in presenting a balanced FY 2005 budget and a balanced financial plan for FYs 2006 through 2008. The projected FY 2005 surplus is even smaller than the FY 2003 surplus of \$32 million, which was less than one percent of the operating budget.

This chapter's primary focus is the financial plan for the General Fund operating budget, which displays the past year, the current year, the proposed FY 2005 revenue and expenditure budget, and projections for the next three years.

It then summarizes the fund balance positions for all the District's funds, including those outside the operating budget.

## Revenues and Expenditures: Past and Future

The District has made a rapid turnaround from its deficit position in the mid-1990s (see figure 3-1). After three years of deficits ending in 1996, the District posted large surpluses in 1997 and 1998, with its fund balance becoming positive again in 1998. Five additional surpluses have followed, although surpluses in the past three years have been small relative to the size of the budget.

Similarly small margins are projected for future years. Revenues and expenditures grew rapidly in FYs 2000 and 2001, but they have slowed and are expected to continue to grow even slower. Expenditure growth is expected to outpace revenue growth, when not counting revenue enhancements or use of fund balance (see figure 3-2). Revenue and operating expenditure trends are discussed in more detail in the respective chapters that follow this one.

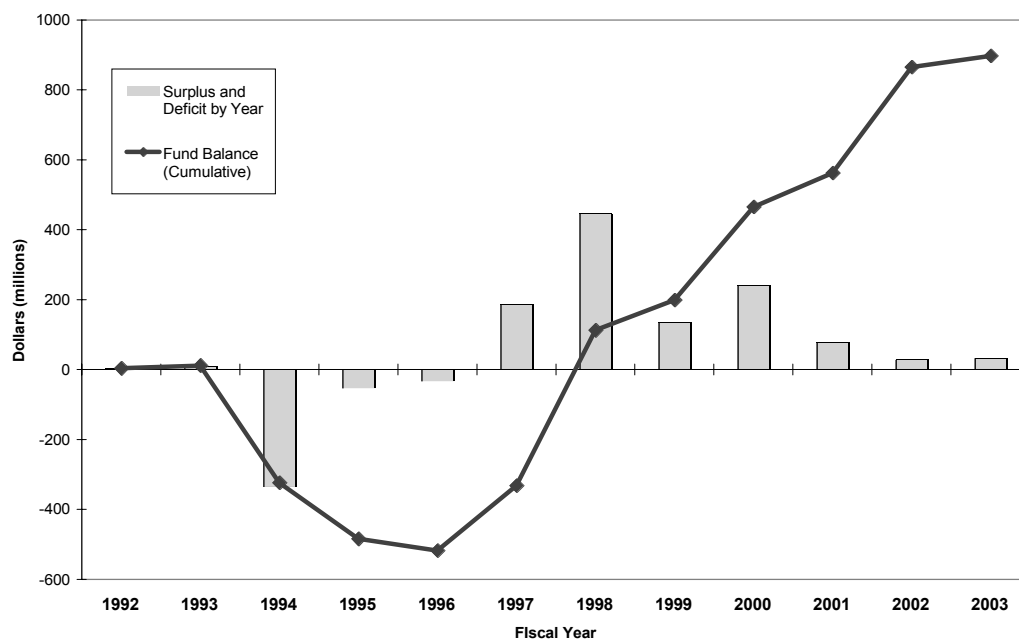
## Understanding the Financial Plan

The financial plan is a synopsis of past, present, and future activity related to the General Fund operating budget. The General Fund includes all revenues raised locally by the District, both Local funds--collected through taxes and general non-tax revenue sources such as fees and fines--and Special Purpose Revenue funds--certain fees collected by and dedicated to agencies for specific purposes through District legislation. Along with the full financial plan for the General Fund, which includes fund balance and reserve fund projections, shorter summaries of the Local and Special Purpose Revenue components of the plan are included.

The operating budget, the primary focus of this budget volume, includes the General Fund and the Federal and Private Resources Fund. The sum of activity related to the General Fund and the Federal and Private Resources Fund is sometimes called the District's "Gross Funds" budget. This chapter includes a financial plan for the Federal and Private Resources Fund. Finally,

Figure 3-1

### General Fund Surplus/Deficit and Fund Balance, FY 1992 - FY 2003



other funds that capture financial activity related to the District are discussed after the presentation of the financial plan.

The General Fund financial plan covers six fiscal years:

- FY 2003 financial data from the CAFR;
- the FY 2004 approved budget and revised budget, with changes agreed to through February 2004;
- the FY 2005 proposed budget, the topic of the remainder of this volume; and
- projections of both revenues and expenditures for FYs 2006 through 2008.

The Chief Financial Officer certifies revenues periodically, and details on revenue trends and future estimates are included in the Revenues chapter of this volume. The financial plan includes the use of both current-year revenues and, occasionally, the use of fund balance—that is, accumulated funds from prior years—for one-time purposes. The plan also displays the effects of proposed revenue initiatives. Expenditures are projected based in part on past trends, and more details are in the Operating Expenditures chapter

of this volume. The financial plan also includes assumptions about the use of reserves and other means of financing

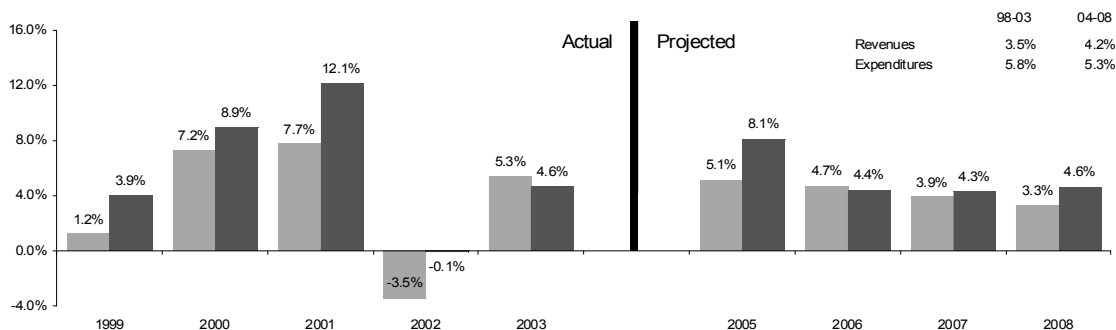
The District uses the multi-year financial plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook. The plan is primarily a budget document, but it has aspects of an accounting document and a cash flow document. It includes projections of the effects of budget decisions on the fund balance, and it considers the maintenance of certain required reserve funds.

Below are line-item descriptions of the financial plan elements. For explanatory purposes, the plan is broken into four sections:

- revenues;
- expenditures;
- fund balance, Generally Accepted Accounting Principles (GAAP) adjustments, and transfers; and
- composition of fund balance.

Figure 3-2

## Revenue and Expenditure Growth Rate Summary, Local Funds



	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Revised	2005 Projected	2006 Projected	2007 Projected	2008 Projected
<b>Revenues</b>	3,090,049	3,126,115	3,351,152	3,609,171	3,483,912	3,669,281	3,798,089	3,992,277	4,178,164	4,339,126	4,480,165
growth rates		1.2%	7.2%	7.7%	-3.5%	5.3%		5.1%	4.7%	3.9%	3.3%
<b>Expenditures</b>	2,767,748	2,876,851	3,133,857	3,512,873	3,509,474	3,671,026	3,807,634	4,115,486	4,295,983	4,479,605	4,683,553
growth rates		3.9%	8.9%	12.1%	-0.1%	4.6%		8.1%	4.4%	4.3%	4.6%

This chart does not include Federal resources, private grants, or special purpose revenue funds.

Source for "Actual" revenues is Exhibit A-5 of the Comprehensive Annual Financial Report with some adjustments, such as the convention center tax transfer.

Source for "Actual" expenditures is Exhibit A-5 of the CAFR, with some adjustments.

Source for "Projected" revenues is General Fund Revenues less dedicated special purpose revenues in the General Fund Financial Plan (line 5 less line 3). This does not include resources that the District intends to spend against from the fund balance (line 6), revenue enhancements (line 7), or federal transfers (line 8).

Source for "Projected" expenditures is General Fund Expenditures less expenditures associated with dedicated non-tax revenues, reserves, or Grant Disallowances (line 23 less lines 3, 18, 19, and the special purpose revenue portion of lines 6 and 7).

# Revenues

**Table 3-2**  
**FY 2005 – FY 2008 Proposed Budget and Financial Plan: General Fund**  
(\$ in Thousands)

Revenues	Actual	Approved	Revised	Proposed	Projected	FY 2007	FY 2008
1 Taxes	3,293,374	3,338,913	3,441,217	3,638,720	3,822,365	3,978,086	4,122,775
2 General Purpose Non-Tax Revenues	315,780	289,201	269,672	282,447	294,889	289,940	286,290
3 Special Purpose (O-type) Revenues	164,126	171,543	169,855	202,649	193,693	204,085	208,844
4 Transfer from Lottery	72,060	79,200					
5 General Fund Revenues	<b>3,845,320</b>	<b>3,898,257</b>					
6 Fund Balance Use	21,527	149,593					
7a Revenue Enhancements	0	38,780					
7b Suspension of Tax Parity	0	0					
8 Transfer from Federal and Private Resources	0	0					
9 Total General Fund Resources	<b>3,866,894</b>	<b>4,076,110</b>					
<b>Expenditures (by Appropriation Title)</b>							
10 Governmental Direction and Support	209,864	220,975					
11 Economic Development and Regulation	139,234	165,446					
12 Public Safety and Justice	609,479	735,660					
13 Public Education System	916,725	990,016					
14 Human Support Services	1,262,711	1,169,667					
15 Public Works	368,668	321,773					
16 Financing and Other	322,491	398,856					
17 Tax Increment Financing (TIF) Reserve	0	1,940					
18 Grant Obligations	0	57,000					
19 Cash Reserve (Budgeted Contingency)	0	50,000					
20 Tobacco Trust Fund (Program Funds)	0	0					
21 Tobacco Trust Fund (Investment Funds)	0	0					
22 Operating Costs of Capital	0	0					
23 Total General Fund Expenditures	<b>3,813,173</b>	<b>4,877,272</b>					
24 Operating Margin, Budget Basis	<b>53,684</b>	<b>1,938</b>					
25 Beginning General Fund Balance	<b>865,328</b>	<b>897,367</b>	<b>897,367</b>	<b>789,887</b>	<b>606,979</b>	<b>697,567</b>	<b>616,624</b>
26 Operating Margin, Budget Basis	53,684	1,938	92,578	2,137	10,589	40,456	20,466
27 Projected GAAP Adjustments (Net)	(21,655)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
28 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	(21,655)	(21,655)	(20,941)	(9,594)	(23,115)	(4,254)
29 Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	0	31,609	31,609	19,941	4,984	23,315	(14,254)
30 Tax Increment Financing (TIF) Reserve (From Fund Balance)	0	0	(9,710)	(9,710)	(9,710)	(9,710)	(9,710)
31 Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710
32 Fund Balance Use	0	(149,083)	(152,910)	(155,910)	0	0	0
33 Ending General Fund Balance	<b>897,367</b>	<b>732,042</b>	<b>789,887</b>	<b>606,979</b>	<b>697,567</b>	<b>616,624</b>	<b>616,489</b>
<b>Contingency of Cash Reserve Balance</b>							
34 Emergency Cash Reserve Balance (4%)	145,029	163,091	163,091	179,930	182,672	190,142	198,432
35 Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	142,607	148,824
36 Fund Balance not in Emergency & Contingency Reserves	<b>643,567</b>	<b>446,633</b>	<b>504,486</b>	<b>302,529</b>	<b>289,134</b>	<b>263,875</b>	<b>277,233</b>
37 Ending General Fund Balance (Line 33)	<b>897,367</b>	<b>732,042</b>	<b>789,887</b>	<b>606,979</b>	<b>697,567</b>	<b>616,624</b>	<b>616,489</b>

Revenues
1 Taxes
2 General Purpose Non-Tax Revenues
3 Special Purpose (O-type) Revenues
4 Transfer from Lottery
5 General Fund Revenues
6 Fund Balance Use
7a Revenue Enhancements
7b Suspension of Tax Parity
8 Transfer from Federal and Private Resources
9 Total General Fund Resources

**1. Taxes.** Includes property, sales, income, and other taxes, which are projected by the Office of Revenue Analysis. See the Revenue chapter for details.

**2. General Purpose Non-Tax Revenues.** Includes revenue from licenses and permits, parking and traffic fines, charges for services, interest income, and other revenue sources that are not dedicated to particular purposes. See the Revenue chapter for details.

**3. Special Purpose (O-Type) Revenues.** Special Purpose Revenues are O-type or Other revenues from charges and fees that are collected and spent by the collecting agency. This pool is distinct from the non-tax revenue category above, which is part of the general pool of discretionary general fund revenue.

**4. Transfer from Lottery.** Reflects the portion of D.C. Lottery and Charitable Games Control Board revenue that is transferred to the District's general fund.

**5. General Fund Revenues.** The sum of lines 1 through 4.

**6. Fund Balance Use.** Includes funds that fell to the fund balance in a prior year but which the District is proposing to use in the current year. In FY 2005, this includes \$49 million of Local funds and \$116 million of Special Purpose Revenues that certain agencies have budgeted to spend from their accumulated fund balances.

**7a. Revenue Enhancements.** Reflects policy changes to increase certain fees and enhance revenue collection efforts. These enhancements are discussed in detail in the Revenues chapter.

**7b. Suspension of Tax Parity.** Reflects a postponement of the next phase of the Tax Parity Act from 2006 to 2008.

**8. Transfer from Federal and Private Resources.** Reflects the movement of federal grant dollars into Local funds to pay for certain indirect costs. These costs were previously captured in Intra-District budgets but will be in the Local funds budget going forward.

**9. Total General Fund Resources.** The sum of lines 5 through 8.

# Expenditures

**Table 3-2**  
**FY 2005 – FY 2008 Proposed Budget and Financial Plan: General Fund**  
(\$ in Thousands)

	Actual	Approved	Revised	Proposed	Projected	FY 2007	FY 2008
Revenues						Projected	Projected
1 Taxes	3,233,374	3,338,913	3,441,217	3,628,730	3,822,365	3,978,888	4,122,775
2 General Purpose Non-Tax Revenues	216,780	209,231	206,612	202,447	204,699	205,940	208,250
3 Special Purpose (D-type) Revenues	164,125	191,943	191,943	208,824	212,023	216,152	216,448
4 Transfer from Lottery	72,000	70,200	70,200	71,100	71,100	71,100	71,100
5 General Fund Revenues	3,686,279	3,810,287	3,909,972	4,103,001	4,309,187	4,466,079	4,618,573
6 Fund Balance Use	21,327	148,050	102,018	165,015	0	0	0
7a Revenue Enhancements	0	36,780	30,000	128,107	180,700	233,071	275,521
7b Suspension of Tax Parity	0	0	0	0	0	0	0
8 Transfer from Federal and Private Resources	0	0	0	0	0	0	0
9 Total General Fund Resources	3,686,279	3,810,287	3,909,972	4,103,001	4,309,187	4,466,079	4,618,573
Expenditures (by Appropriation Title)							
10 Governmental Direction and Support	200,000	200,000	200,000	200,000	200,000	200,000	200,000
11 Economic Development and Regulation	135,000	135,000	135,000	135,000	135,000	135,000	135,000
12 Public Safety and Justice	650,000	650,000	650,000	650,000	650,000	650,000	650,000
13 Public Education System	910,000	910,000	910,000	910,000	910,000	910,000	910,000
14 Human Support Services	1,280,000	1,280,000	1,280,000	1,280,000	1,280,000	1,280,000	1,280,000
15 Public Works	300,000	300,000	300,000	300,000	300,000	300,000	300,000
16 Financing and Other	322,000	322,000	322,000	322,000	322,000	322,000	322,000
17 Tax Increment Financing (TIF) Reserve	0	0	0	0	0	0	0
18 Grant Disallowances	0	0	0	0	0	0	0
19 Cash Reserve (Budgeted Contingency)	0	0	0	0	0	0	0
20 Tobacco Trust Fund (Program Funds)	0	0	0	0	0	0	0
21 Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22 Operating Costs of Capital	0	0	0	0	0	0	0
23 Total General Fund Expenditures	3,810,287	3,810,287	3,810,287	3,810,287	3,810,287	3,810,287	3,810,287
24 Operating Margin, Budget Basis	876,000	876,000	876,000	876,000	876,000	876,000	876,000
Composition of Fund Balance							
25 Beginning General Fund Balance	865,000	865,000	865,000	865,000	865,000	865,000	865,000
26 Operating Margin, Budget Basis	876,000	876,000	876,000	876,000	876,000	876,000	876,000
27 Projected GAAP Adjustments (Net)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
28 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	0	0	0	0	0	0
29 Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	0	0	0	0	0	0	0
30 Tax Increment Financing (TIF) Reserve (From Fund Balance)	0	0	0	0	0	0	0
31 Unspent TIF Reserve	0	0	0	0	0	0	0
32 Fund Balance Use	0	0	0	0	0	0	0
33 Ending General Fund Balance	880,000	880,000	880,000	880,000	880,000	880,000	880,000
Emergency Cash Reserve Balance (4%)	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Contingency Cash Reserve Balance (3%)	106,771	122,318	122,318	124,520	126,761	142,807	146,824
Fund Balance not in Emergency & Contingency Reserves	628,229	612,682	612,682	610,480	607,539	592,193	587,356
Ending General Fund Balance (Line 33)	880,000	880,000	880,000	880,000	880,000	880,000	880,000

**10. - 15. Agency Expenditures.** These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter.

**16. Financing and Other.** Includes Repayment of Debt, Short-Term Borrowings, Certificate of Participation, and other items in this appropriation title that are not specifically shown in lines 17 through 21.

**17. Tax Increment Financing (TIF) Reserve.** For FY 2004, the District budgeted for a reserve against potential revenue shortfalls within the TIF program.

**18. Grant Disallowances.** For FY 2004, the District budgeted for repayment to the federal government of prior years' Medicaid reimbursements received by the District for costs ultimately determined, by audit, to be ineligible for Medicaid.

**19. Cash Reserve (Budgeted Contingency).** The District is required to budget for a cash reserve of \$50 million each year, to provide budgetary stability in the absence of the budgeted

reserve, which was eliminated after FY 2003.

**20. - 21. Tobacco Trust Fund.** These two line items reflect contributions to the Tobacco Trust Fund from the debt service relief that the District achieved from the prepayment of bonds with proceeds from securitized tobacco settlement funds. The proposed financial plan does not include future contributions to the fund but does include funding for tobacco cessation programs, beginning in FY 2006, shown on line 20.

**22. Operating Costs of Capital and Lease Purchases.** An estimate of future operating costs as capital projects currently under way are brought on-line starting in FY 2006, with an additional \$20 million in FY 2008 for lease purchase arrangements associated with development of new government facilities, including a mental health hospital.

**23. Total General Fund Expenditures.** The sum of lines 10 through 22.

**24. Operating Margin, Budget Basis.** The difference between Total General Fund Resources and Expenditures (lines 9 and 23).

## Fund Balance, GAAP Adjustments and Transfers

	Actual	Approved	Revised	Proposed	Projected	Projected	FY 2007	FY 2008
<b>Revenues</b>								
1 Taxes	3,263,374	3,339,915	3,441,217	3,629,730	3,662,365	3,679,086	4,122,775	
2 General Purpose Non-Tax Revenues	315,760	289,261	286,672	292,447	284,669	289,940	286,290	
3 Special Purpose (Grants) Revenues	164,125	191,943	191,943	208,624	212,023	210,162	216,448	
4 Transfer from Lottery	72,695	70,299	70,299	71,186	71,186	71,186	71,186	
5 <b>General Fund Revenues</b>	<b>3,845,229</b>	<b>3,891,327</b>	<b>3,980,132</b>	<b>4,208,987</b>	<b>4,236,167</b>	<b>4,854,279</b>	<b>4,696,613</b>	
6 Fund Balance Use	21,527	149,093	182,018	165,015	0	0	0	
7a Revenue Enhancements	0	36,760	36,000	128,107	180,769	233,071	275,621	
7b Suspension of Tax Policy	0	0	0	0	0	0	0	
8 Transfer from Federal and Private Resources	0	0	0	6,761	6,925	6,680	6,627	
9 <b>Total General Fund Resources</b>	<b>3,863,656</b>	<b>4,079,110</b>	<b>4,202,000</b>	<b>4,500,384</b>	<b>4,577,389</b>	<b>4,794,009</b>	<b>4,981,261</b>	
<b>Expenditures (by Appropriation Title)</b>								
10 Governmental Direction and Support	252,854							
11 Economic Development and Regulation	155,234							
12 Public Safety and Justice	669,479							
13 Public Education System	918,725							
14 Human Support Services	2,382,711							
15 Public Works	306,666							
16 Financing and Other	322,491							
17 Tax Increment Financing (TIF) Reserve	0							
18 Grant Disbursements	0							
19 Cash Reserve (Budgeted Contingency)	0							
20 Tobacco Trust Fund (Program Funds)	0							
21 Tobacco Trust Fund (Investment Funds)	0							
22 Operating Costs of Capital	0							
23 <b>Total General Fund Expenditures</b>	<b>3,813,172</b>							
24 <b>Operating Margin, Budget Basis</b>	<b>53,684</b>							
25 <b>Beginning General Fund Balance</b>	<b>865,338</b>							
26 Operating Margin, Budget Basis	53,684	1,838	52,578	2,137	10,589	42,456	20,469	
27 Projected GAAP Adjustments (Net)	(21,655)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	
28 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	(31,609)	(31,609)	(16,041)	(4,984)	(23,315)	14,254	
29 Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	0	31,609	31,609	19,041	4,984	23,315	(14,254)	
30 Tax Increment Financing (TIF) Reserve (From Fund Balance)	0	0	0	(97,710)	(9,710)	(9,710)	(9,710)	
31 Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710	
32 Fund Balance Use	0	(149,093)	(182,018)	(165,015)	0	0	0	
33 <b>Ending General Fund Balance</b>	<b>897,357</b>	<b>732,042</b>	<b>788,857</b>	<b>606,979</b>	<b>897,357</b>	<b>618,024</b>	<b>618,469</b>	
<b>Composition of Fund Balance</b>								
34 Emergency Cash Reserve Balance (4%)	145,029	163,091	163,091	179,930	182,672	190,142	198,432	
35 Contingency Cash Reserve Balance (3%)	168,771	182,318	182,318	194,620	198,761	206,887	214,824	
36 Fund Balance not in Emergency & Contingency Reserves	583,557	486,633	554,448	302,329	586,124	391,075	271,233	
37 <b>Ending General Fund Balance (Line 33)</b>	<b>897,357</b>	<b>732,042</b>	<b>788,857</b>	<b>606,979</b>	<b>897,357</b>	<b>618,024</b>	<b>618,469</b>	

**25. Beginning General Fund Balance.** Shows the accumulated fund balance at the beginning of the fiscal year, which is identical to the end of year fund balance for the previous fiscal year.

**26. Operating Margin, Budget Basis.** Restatement of line 24.

**27. Projected GAAP Adjustments (Net).** GAAP adjustments are year-end adjustments necessary to properly report the ending fund balance on an accounting basis by converting budgeted activity to resources earned and used in the current fiscal year. This includes items such as fund balance released from restrictions, current year purchases used to build up ending inventory levels, and the current year net consumption of inventories purchased in prior years.

**28. Deposits into 4% and 3% Reserve Funds (From Fund Balance).** Funds will be moved from the fund balance into the Emergency and Contingency Reserve Funds each year. See the discussion on page 3-9.

**29. Deposits into 4% and 3% Reserve Funds (To Cash Reserves).** Shows that funds deposit-

ed into the reserve funds remain in the General Fund balance.

**30. Tax Increment Financing (TIF) Reserve (From Fund Balance).** The District holds a reserve in its fund balance against potential revenue shortfalls within the TIF program.

**31. Unspent TIF Reserve.** The amount on line 30 is added back to the General Fund balance, under the assumption that revenues from the TIF program will be sufficient and thus the reserve will not be spent.

**32. Fund Balance Use.** The amount of prior-year fund balance that is used in the current year (line 6) must be subtracted when calculating the current year-end fund balance.

**33. Ending General Fund Balance.** Shows the sum of the beginning fund balance, the budget-basis operating margin, and GAAP and other adjustments (lines 27 through 32).

### Discussion: Fund Balance

The fund balance reflects the cumulative earnings of the District. At the end of each fiscal year,

fund balance adjustments are made to show the effects of the current year's financial transactions. Year-end adjustments are made so the financial statements are presented in accordance with GAAP. Implementing accounting pronouncement 34 of the Government Accounting Standards Board (GASB 34) resulted in a significant restatement of the FY 2002 fund balance at October 1, 2001.

The general fund balance has two major components: (1) reserved and (2) unreserved. The unreserved fund balance is apportioned further into designated and undesignated components. Figure 3-3 shows the components of the District's General Fund balance.

### Reserved Fund Balance

To use reserved fund balance items, the District must have approval from the external entity that has imposed the restriction. The reserved balance has been dominated historically by bond escrow, that is, accumulated cash that the District is required to maintain for debt service payments in the coming year. More recently, the reserved

balance has been dominated by the congressionally mandated Emergency and Contingency (cash) Reserves.

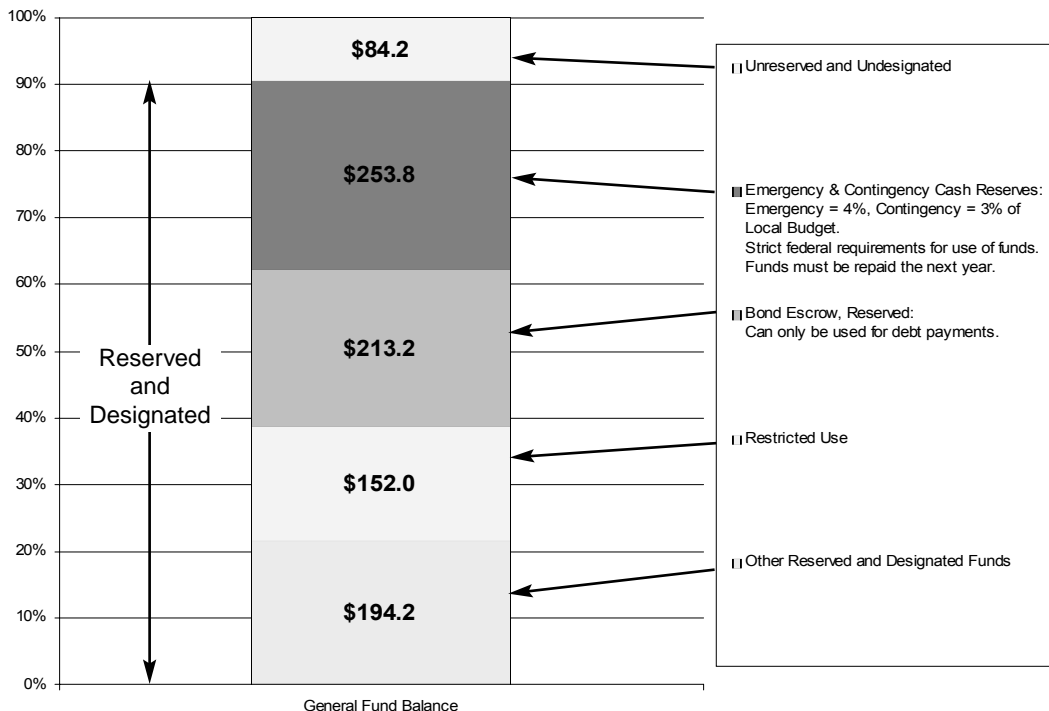
### Unreserved Fund Balance

*Unreserved but Designated Fund Balance.* The designated component of the fund balance contains items that have been purpose restricted by the legislative or executive branch of the District government.

*Unreserved and Undesignated Fund Balance.* Those items that fall into this category have neither internal nor external claims against them. Unlike most large cities, the District is prohibited from accessing these funds.

Comprising elements of budgeting and accounting, the financial plan reflects GAAP adjustments as well as transfers between fund balance and cash reserves that do not affect the budget basis operating margin. Hence, these items are sometimes referred to as "below-the-line" adjustments because they are outside of the budget but impact the District's financial statements.

Figure 3-3  
**Composition of General Fund Balance, September 30, 2003**



## Composition of Fund Balance

	Actual	Approved	Revised	Proposed	Projected	FY 2007 Projected	FY 2008 Projected
<b>Revenues</b>							
1 Taxes	3,203,374	3,338,913	3,441,217	3,629,750	3,622,365	3,976,086	4,122,775
2 General Purpose Non-Tax Revenues	315,790	389,001	388,612	402,447	364,899	388,940	386,200
3 Special Purpose (0-type) Revenues	164,125	191,943	191,943	208,624	212,023	216,192	216,448
4 Transfer from Library	72,000	70,200	70,200	71,100	71,100	71,100	71,100
5 <b>General Fund Revenues</b>	<b>3,846,329</b>	<b>3,989,257</b>	<b>3,992,072</b>	<b>4,292,921</b>	<b>4,269,387</b>	<b>4,653,318</b>	<b>4,896,523</b>
6 Fund Balance Use	21,627	148,093	162,018	160,115	0	0	0
7a Revenue Enhancements	0	38,760	30,000	128,107	160,700	233,071	275,621
7b Suspension of Tax Parity	0	0	0	0	0	0	0
8 Transfer from Federal and Private Resources	0	0	0	0	0	0	0
9 <b>Total General Fund Resources</b>	<b>3,866,856</b>	<b>4,079,110</b>	<b>4,252,090</b>	<b>4,881,394</b>	<b>4,977,388</b>	<b>4,794,889</b>	<b>4,881,281</b>
<b>Expenditures (By Appropriation Title)</b>							
10 Governmental Direction and Support	209,864	226,975	241,075	315,811	287,904	296,552	305,652
11 Economic Development and Regulation	193,234	185,446	187,146	241,570	179,570	184,195	188,091
12 Public Safety and Justice	659,479	735,890	747,060	760,915	816,037	845,531	872,386
13 Public Education System	916,725	990,016	1,018,016	1,087,888	1,096,198	1,123,963	1,152,533
14 Human Support Services	1,262,711	1,109,807	1,137,807	1,162,785	1,232,075	1,282,034	1,334,936
15 Public Works	265,688	321,773	319,573	327,836	335,765	346,287	363,559
16 Financing and Other	322,491	0	0	0	0	0	0
17 Tax Increment Financing (TIF) Reserve	0	0	0	0	0	0	0
18 Grant Disallowances	0	0	0	0	0	0	0
19 Cash Reserve (Budgetary Contingency)	0	0	0	0	0	0	0
20 Tobacco Trust Fund (Program Funds)	0	0	0	0	0	0	0
21 Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22 Operating Costs of Capital	0	0	0	0	0	0	0
23 <b>Total General Fund Expenditures</b>	<b>3,815,772</b>						
24 <b>Operating Margin, Budget Basis</b>	<b>53,684</b>						
25 <b>Beginning General Fund Balance</b>	<b>885,328</b>						
26 Operating Margin, Budget Basis	53,684						
27 <b>Proposed GAAP Adjustments (Net)</b>	<b>(21,655)</b>						
28 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	0	0	(8,710)	(8,710)	(8,710)	(8,710)
29 Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	0	0	0	(8,710)	(8,710)	(8,710)	(8,710)
30 Tax Increment Financing (TIF) Reserve (From Fund Balance)	0	1,940	1,940	8,710	8,710	8,710	8,710
31 Unspent TIF Reserve	0	(149,033)	(152,018)	(155,015)	0	0	0
32 <b>Fund Balance Use</b>	<b>0</b>	<b>(149,033)</b>	<b>(152,018)</b>	<b>(155,015)</b>	<b>0</b>	<b>0</b>	<b>0</b>
33 <b>Ending General Fund Balance</b>	<b>887,357</b>	<b>732,042</b>	<b>789,867</b>	<b>886,979</b>	<b>887,357</b>	<b>876,024</b>	<b>876,489</b>
<b>Composition of Fund Balance</b>							
34 Emergency Cash Reserve Balance (4%)	140,029	163,091	163,091	179,930	162,672	190,142	198,432
35 Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	142,607	148,824
36 Fund Balance not in Emergency & Contingency Reserves	638,557	446,633	504,458	582,529	603,924	543,275	529,233
37 <b>Ending General Fund Balance (Line 33)</b>	<b>887,357</b>	<b>732,042</b>	<b>789,867</b>	<b>886,979</b>	<b>887,357</b>	<b>876,024</b>	<b>876,489</b>

### 34. Emergency Cash Reserve Balance (4%).

The District was required to establish an Emergency Reserve, by the end of FY 2004, equal to four percent of the District's Local expenditures. The requirement was satisfied in FY 2002. Beginning in FY 2004, the District increased the base used for the calculation to include the full General Fund budget, that is, Local funds plus Special Purpose Revenues.

### 35. Contingency Cash Reserve Balance (3%).

The District was required to establish a Contingency Reserve equal, by the end of FY 2007, to three percent of the District's Local expenditures. The requirement was satisfied in FY 2002. As with the Emergency Reserve, the base includes the General Fund budget beginning in FY 2004.

### 36. Fund Balance not in Emergency and Contingency Reserves.

Reflects the portion of the fund balance that is not composed of the two cash reserve funds. This line item does not reflect available funds, because there are several other restrictions on the District's fund balance in addition to cash reserve balances, such as bond escrow. Fund balance restrictions are addressed thoroughly in the District's Comprehensive Annual Financial Report.

### 37. Ending General Fund Balance (Line 33).

Reflects the sum of lines 34 through 36, representing the various components of the fund balance.



## Discussion: Filling Emergency and Contingency Reserves

The District was required to fill the Emergency Reserve at four percent of its local budget by the end of FY 2004 and to fill the Contingency Reserve at three percent by the end of FY 2007. In FY 2002, the District filled both funds to the combined level of seven percent, or \$248.7 million. This seven-percent level was maintained in FY 2003 and will be maintained in FY 2004 as well.

Beginning in FY 2005, the District will allow the Contingency Reserve to grow only by the interest it earns, which is required to remain in

the reserve. For both FYs 2005 and 2006, this will keep the Contingency Reserve above its required level—one percent and two percent, respectively, of each year's budget. In FY 2007, the District will make a deposit to reach the three percent level. For all years, the District will maintain the Emergency Reserve at its four-percent target.

Table 3-1 summarizes the District's reserves. It displays the difference between (a) maintaining the Contingency Reserve at three percent, and (b) letting it grow only with its interest earnings, for FYs 2005 and 2006.

Table 3-1  
**FY 2003 - FY 2008 Reserve Summary**

(\$ millions)

	FY 2003 Actual	FY 2004 Approved	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
a General Fund Budget (line 23)	(1)	4,077.3	4,498.2	4,566.5	4,753.2	4,960.5
b Budgeted Reserve	70.0	0.0	0.0	0.0	0.0	0.0
Cash Reserves:						
c Emergency and Contingency Cash Reserves (lines d + f)	253.8	285.4	304.4	309.4	332.7	347.3
d Emergency Reserve (4%)	145.0	163.1	179.9	182.7	190.1	198.4
e Contingency Reserve (if 3% target maintained)	108.8	122.3	134.9	137.0	142.6	148.8
f Contingency Reserve (actual and proposed)	108.8	122.3	124.5	126.8	142.6	148.8
g Cash Reserve (Budgeted Contingency) (2)	0.0	50.0	50.0	50.0	50.0	50.0
h Total Cash Reserves (lines c + g)	253.8	335.4	354.4	359.5	382.7	397.3

(1) For FY 2003, the calculation was based on the Local funds budget. Beginning in FY 2004, the calculation is based on the General Fund budget.

(2) This represents the Cash Reserve that is budgeted at the beginning of each fiscal year. The District may spend from this fund for authorized uses during the year.

Note: Details may not add to totals due to rounding.

Table 3-2

**FY 2005 - FY 2008 Proposed Budget and Financial Plan: General Fund**

(\$ thousands)

Revenues	FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
1 Taxes	3,293,374	3,339,913	3,441,217	3,628,730	3,822,365	3,978,086	4,122,775
2 General Purpose Non-Tax Revenues	315,780	289,201	286,672	292,447	284,699	289,940	286,290
3 Special Purpose (O-type) Revenues	164,125	191,943	191,943	208,624	212,023	215,152	218,448
4 Transfer from Lottery	<u>72,050</u>	<u>70,200</u>	<u>70,200</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>
<b>5 General Fund Revenues</b>	<b>3,845,329</b>	<b>3,891,257</b>	<b>3,990,032</b>	<b>4,200,901</b>	<b>4,390,187</b>	<b>4,554,278</b>	<b>4,698,613</b>
6 Fund Balance Use	21,527	149,093	182,018	165,015	0	0	0
7a Revenue Enhancements	0	38,760	30,000	128,107	156,700	155,942	158,821
7b Suspension of Tax Parity	0	0	0	0	24,000	77,129	117,000
8 Transfer from Federal and Private Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,361</u>	<u>6,502</u>	<u>6,660</u>	<u>6,827</u>
<b>9 Total General Fund Resources</b>	<b>3,866,856</b>	<b>4,079,110</b>	<b>4,202,050</b>	<b>4,500,384</b>	<b>4,577,389</b>	<b>4,794,009</b>	<b>4,981,261</b>
<b>Expenditures (by Appropriation Title)</b>							
10 Governmental Direction and Support	209,864	226,975	241,075	315,811	287,904	296,552	305,652
11 Economic Development and Regulation	135,234	185,446	187,146	241,570	179,570	184,195	189,091
12 Public Safety and Justice	659,479	735,660	747,060	790,815	818,027	843,531	872,386
13 Public Education System	916,725	990,016	1,018,016	1,067,666	1,096,198	1,123,563	1,152,523
14 Human Support Services	1,262,711	1,109,607	1,137,607	1,192,755	1,232,075	1,282,034	1,334,936
15 Public Works	306,668	321,773	319,373	327,936	335,765	349,287	363,500
16 Financing and Other	322,491	398,856	399,956	511,692	560,262	610,390	651,707
17 Tax Increment Financing (TIF) Reserve	0	1,940	1,940	0	0	0	0
18 Grant Disallowances	0	57,000	57,000	0	0	0	0
19 Cash Reserve (Budgeted Contingency)	0	50,000	300	50,000	50,000	50,000	50,000
20 Tobacco Trust Fund (Program Funds)	0	0	0	0	2,000	4,000	6,000
21 Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22 Operating Costs of Capital	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>10,000</u>	<u>35,000</u>
<b>23 Total General Fund Expenditures</b>	<b>3,813,172</b>	<b>4,077,272</b>	<b>4,109,472</b>	<b>4,498,247</b>	<b>4,566,801</b>	<b>4,753,552</b>	<b>4,960,796</b>
<b>24 Operating Margin, Budget Basis</b>	<b>53,684</b>	<b>1,838</b>	<b>92,578</b>	<b>2,137</b>	<b>10,589</b>	<b>40,456</b>	<b>20,466</b>
<b>25 Beginning General Fund Balance</b>	<b>865,328</b>	<b>897,357</b>	<b>897,357</b>	<b>789,857</b>	<b>606,979</b>	<b>597,567</b>	<b>618,024</b>
26 Operating Margin, Budget Basis	53,684	1,838	92,578	2,137	10,589	40,456	20,466
27 Projected GAAP Adjustments (Net)	(21,655)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
28 Deposits into 4% & 3% Reserve Funds (From Fund Balance)	0	(31,609)	(31,609)	(19,041)	(4,984)	(23,315)	14,254
29 Deposits into 4% & 3% Reserve Funds (To Cash Reserves)	0	31,609	31,609	19,041	4,984	23,315	(14,254)
30 Tax Increment Financing (TIF) Reserve (From Fund Balance)	0	0	0	(9,710)	(9,710)	(9,710)	(9,710)
31 Unspent TIF Reserve	0	1,940	1,940	9,710	9,710	9,710	9,710
32 Fund Balance Use	<u>0</u>	<u>(149,093)</u>	<u>(182,018)</u>	<u>(165,015)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>33 Ending General Fund Balance</b>	<b>897,357</b>	<b>732,042</b>	<b>789,857</b>	<b>606,979</b>	<b>597,567</b>	<b>618,024</b>	<b>618,489</b>
<b>Composition of Fund Balance</b>							
34 Emergency Cash Reserve Balance (4%)	145,029	163,091	163,091	179,930	182,672	190,142	198,432
35 Contingency Cash Reserve Balance (3%)	108,771	122,318	122,318	124,520	126,761	142,607	148,824
36 Fund Balance not in Emergency & Contingency Reserves	<u>643,557</u>	<u>446,633</u>	<u>504,448</u>	<u>302,529</u>	<u>288,134</u>	<u>285,275</u>	<u>271,234</u>
<b>37 Ending General Fund Balance (Line 33)</b>	<b>897,357</b>	<b>732,042</b>	<b>789,857</b>	<b>606,979</b>	<b>597,567</b>	<b>618,024</b>	<b>618,489</b>

Table 3-3

**Local Funds Component of the General Fund Financial Plan**

(\$ thousands)

		FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
<b>Revenues</b>								
1	Taxes	3,293,374	3,339,913	3,441,217	3,628,730	3,822,365	3,978,086	4,122,775
2	General Purpose Non-Tax Revenues	315,780	289,201	286,672	292,447	284,699	289,940	286,290
4	Transfer from Lottery	<u>72,050</u>	<u>70,200</u>	<u>70,200</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>	<u>71,100</u>
5	<b>General Fund Revenues (Local)</b>	<b>3,681,204</b>	<b>3,699,314</b>	<b>3,798,089</b>	<b>3,992,277</b>	<b>4,178,164</b>	<b>4,339,126</b>	<b>4,480,165</b>
6	Fund Balance Use	1,802	96,498	129,423	49,365	0	0	0
7a	Revenue Enhancements	0	38,760	30,000	119,620	147,905	147,147	150,026
7b	Suspension of Tax Parity	0	0	0	0	24,000	77,129	117,000
8	Transfer from Federal and Private Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,361</u>	<u>6,502</u>	<u>6,660</u>	<u>6,827</u>
9	<b>Total General Fund Resources</b>	<b>3,683,006</b>	<b>3,834,572</b>	<b>3,957,512</b>	<b>4,167,623</b>	<b>4,356,571</b>	<b>4,570,062</b>	<b>4,754,018</b>
<b>Expenditures (by Appropriation Title)</b>								
10	Governmental Direction and Support	199,089	206,824	220,924	261,068	268,535	276,710	285,306
11	Economic Development and Regulation	56,520	53,336	55,036	55,764	57,246	58,875	60,591
12	Public Safety and Justice	646,732	716,715	728,115	760,849	794,531	819,380	847,544
13	Public Education System	909,354	962,941	990,941	1,058,709	1,087,082	1,114,218	1,142,935
14	Human Support Services	1,242,888	1,085,277	1,113,277	1,165,314	1,205,663	1,254,875	1,306,988
15	Public Works	293,952	308,029	305,629	312,035	324,416	337,606	351,470
16	Financing and Other	322,491	390,672	391,772	501,746	551,511	603,942	647,719
17	Tax Increment Financing (TIF)	0	1,940	1,940	0	0	0	0
18	Grant Disallowances	0	57,000	57,000	0	0	0	0
19	Cash Reserve (Budgeted Contingency)	0	50,000	300	50,000	50,000	50,000	50,000
20	Tobacco Trust Fund (Program Funds)	0	0	0	0	2,000	4,000	6,000
21	Tobacco Trust Fund (Investment Funds)	0	0	0	0	0	0	0
22	Operating Costs of Capital and Lease Purchases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>10,000</u>	<u>35,000</u>
23	<b>Total General Fund Expenditures</b>	<b>3,671,026</b>	<b>3,832,734</b>	<b>3,864,934</b>	<b>4,165,486</b>	<b>4,345,983</b>	<b>4,529,605</b>	<b>4,733,553</b>
24	<b>Operating Margin, Budget Basis</b>	<b>11,980</b>	<b>1,838</b>	<b>92,578</b>	<b>2,137</b>	<b>10,589</b>	<b>40,456</b>	<b>20,466</b>

Table 3-4

**Special Purpose Revenue Component of the General Fund Financial Plan**

(\$ thousands)

		FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
<b>Revenues</b>								
3	Special Purpose (O-type) Revenues	<u>164,125</u>	<u>191,943</u>	<u>191,943</u>	<u>208,624</u>	<u>212,023</u>	<u>215,152</u>	<u>218,448</u>
5	<b>General Fund Revenues (Special Purpose)</b>	<b>164,125</b>	<b>191,943</b>	<b>191,943</b>	<b>208,624</b>	<b>212,023</b>	<b>215,152</b>	<b>218,448</b>
6	Fund Balance Use	19,725	52,595	52,595	115,650	0	0	0
7a	Revenue Enhancements	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,487</u>	<u>8,795</u>	<u>8,795</u>	<u>8,795</u>
9	<b>Total General Fund Resources (Special Purpose)</b>	<b>183,850</b>	<b>244,538</b>	<b>244,538</b>	<b>332,761</b>	<b>220,818</b>	<b>223,947</b>	<b>227,243</b>
<b>Expenditures (by Appropriation Title)</b>								
10	Governmental Direction and Support	10,775	20,151	20,151	54,745	19,370	19,843	20,346
11	Economic Development and Regulation	78,714	132,110	132,110	185,806	122,324	125,320	128,500
12	Public Safety and Justice	12,747	18,945	18,945	29,966	23,496	24,151	24,842
13	Public Education System	7,371	27,075	27,075	8,957	9,116	9,345	9,588
14	Human Support Services	19,823	24,330	24,330	27,441	26,411	27,159	27,949
15	Public Works	12,716	13,744	13,744	15,901	11,349	11,681	12,031
16	Financing and Other	<u>0</u>	<u>8,184</u>	<u>8,184</u>	<u>9,946</u>	<u>8,751</u>	<u>6,449</u>	<u>3,987</u>
23	<b>Total General Fund Expenditures</b>	<b>142,146</b>	<b>244,538</b>	<b>244,538</b>	<b>332,761</b>	<b>220,818</b>	<b>223,947</b>	<b>227,243</b>
24	<b>Operating Margin, Budget Basis</b>	<b>41,704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Fund Structure

The General Fund, as discussed, is one of many funds that capture the District's financial activities. Other funds and reporting entities, both governmental and non-governmental, are included in the District's CAFR and are discussed below. The primary categories are:

- Governmental Funds,
- Proprietary Funds,
- Fiduciary Funds, and
- Component Units.

Each year, the District publishes four budget volumes, two covering the operating budget and two covering the capital budget. The operating budget includes revenues and expenditures in the General Fund and the Federal and Private Resources Fund. These two operating budget funds, plus two capital funds and two non-major funds, are considered governmental funds. In addition, the District's finances reflect a number of other entities that are considered non-governmental, including Proprietary Funds, Fiduciary Funds, and Component Units, some of which are discussed in the operating budget volumes.

## Governmental Funds

Governmental Funds consist of two operating, two capital, and two special revenue funds.

### Operating Funds

The District's operating budget is the primary focus of this budget volume and the Operating Appendices volume. The operating budget has a variety of funding sources and has two components: the General Fund and the Federal and Private Resources Fund.

#### *General Fund:*

Local Funds are the District's primary source of revenue.

- All the District's tax receipts, the larger of which are income taxes, sales taxes, and property taxes, go into Local Funds.
- In addition, certain non-tax revenues (those fines, fees, and miscellaneous revenues not dedicated for a particular agency's use) are part of Local Funds.
- Finally, an annual transfer from the Lottery goes into Local Funds.

Local Funds totaled \$3.835 billion of revenues and \$3.833 billion of expenditures in the FY 2004 approved budget.

Dedicated Non-Tax Revenues are collected by District agencies and, by law, are dedicated to support the functions those agencies perform. Examples include certain fees and permit charges that the public pays for and whose proceeds are used by the agency to carry out operations in that same area. Some agencies retain unused revenues collected in a given fiscal year in the dedicated portion of the Fund Balance. They are allowed to spend those revenues, if they receive appropriation authority to do so, in a succeeding year. Dedicated Non-Tax Revenues in the FY 2004 approved budget totaled \$244.5 million, consisting of \$191.9 million from projected FY 2004 revenue and \$52.6 million from use of Fund Balance, that is, revenues collected in prior years that were retained by the agencies.

#### *Federal and Private Resources Fund:*

- Federal Grants are grants the District receives from federal agencies, including block grants, formula grants, certain entitlements, and competitive grants.
- Federal Payments are direct appropriations from the Congress to the District, usually to a particular District agency for a particular purpose.
- Federal Medicaid Payments are the federal share of the District's Medicaid costs. Generally, the federal government pays 70 percent of the cost of Medicaid while the District pays 30 percent, although the proportions differ in certain circumstances.
- Private Grants are grants the District receives from non-Federal sources. This category includes private donations.

Table 3-5 displays a summary financial plan for the Federal and Private Resources Fund. The line items are as follows:

**F1. Federal Grants.** Federal grant awards received by District agencies.

**F2. Federal Payments.** Funding contributed by the federal government for specific projects.

These funds are restricted in use by the federal government.

**F3. Private Grants.** Revenues received from private grants.

**F4. Federal and Private Resources.**

**F5. Fund Balance Use.** Reflects amounts previously contained in the fund balance that have been released for use in the current year.

**F6. Transfer to General Fund.** Funds used to pay for indirect costs, as shown on line 8 of the General Fund financial plan.

**F7. Total Federal and Private Resources.**

**F8. – F14. Agency Expenditures.** These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter.

**F15. Total Federal and Private Resources Fund Expenditures.**

**F16. Operating Margin, Budget Basis.** This line provides the difference between Total Federal and Private Resources and Total Federal and Private Expenditures.

**F17. - F21. Fund Balance Calculations.**

Table 3-5  
**Federal and Private Resources Financial Plan**  
(\$ thousands)

		FY 2003 Actual	FY 2004 Approved	FY 2004 Adjusted	FY 2005 Proposed	FY 2006 Projected	FY 2007 Projected	FY 2008 Projected
<b>Revenues</b>								
F1	Federal Grants	1,437,899	1,560,734	1,791,799	1,693,915	1,760,167	1,840,850	1,926,358
F2	Federal Payment/Contribution	94,043	80,124	126,357	59,300	0	0	0
F3	Private Grants	<u>9,102</u>	<u>13,767</u>	<u>14,817</u>	<u>13,314</u>	<u>13,636</u>	<u>13,993</u>	<u>14,370</u>
F4	<b>Federal &amp; Private Resources</b>	<b>1,541,044</b>	<b>1,654,625</b>	<b>1,932,973</b>	<b>1,766,529</b>	<b>1,773,803</b>	<b>1,854,843</b>	<b>1,940,728</b>
F5	Fund Balance Use	100,335	0	0	0	0	0	0
F6	Transfer to General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,361)</u>	<u>(6,502)</u>	<u>(6,660)</u>	<u>(6,827)</u>
F7	<b>Total Federal &amp; Private Resources</b>	<b>1,641,379</b>	<b>1,654,625</b>	<b>1,932,973</b>	<b>1,760,168</b>	<b>1,767,300</b>	<b>1,848,184</b>	<b>1,933,901</b>
<b>Expenditures (by Appropriation Title)</b>								
F8	Governmental Direction and Support	97,164	51,130	142,884	100,256	102,388	104,770	107,306
F9	Economic Development and Regulation	89,059	91,202	96,909	93,175	95,411	97,885	100,505
F10	Public Safety and Justice	38,112	12,088	25,271	7,908	6,783	6,976	7,180
F11	Public Education System	177,266	210,418	263,527	198,759	159,455	163,552	167,894
F12	Human Support Services	1,199,338	1,270,100	1,375,586	1,341,070	1,399,176	1,470,817	1,546,727
F13	Public Works	13,562	8,753	13,583	4,000	4,087	4,185	4,289
F14	Financing and Other	<u>10,984</u>	<u>10,935</u>	<u>15,214</u>	<u>15,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
F15	<b>Total Federal &amp; Private Expenditures</b>	<b>1,625,485</b>	<b>1,654,625</b>	<b>1,932,973</b>	<b>1,760,168</b>	<b>1,767,301</b>	<b>1,848,184</b>	<b>1,933,901</b>
F16	<b>Operating Margin, Budget Basis</b>	<b>15,894</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
F17	<b>Beginning Federal &amp; Private Fund Balance</b>	<b>235,799</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>
F18	Operating Margin, Budget Basis	15,894	0	0	0	0	0	0
F19	Projected GAAP Adjustments (Net)	(1,138)	0	0	0	0	0	0
F20	<u>Fund Balance Use</u>	<u>(100,335)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F21	<b>Ending Federal &amp; Private Fund Balance</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>	<b>150,220</b>

#### *A Note on Intra-District Budgets:*

Intra-District budgets represent agreements between two agencies whereby one agency purchases services from the other. The buying agency spends its own budget (Local, Special Purpose Revenue, Federal, or Private). The selling agency receives this expenditure as intra-District revenue, establishes intra-District budget authority, and spends against that authority to provide the service.

An agency's total "gross funds" budget includes its intra-District budget authority. Because such arrangements appear as expenditures twice, once in each agency, the intra-District totals are excluded from the District-wide calculations of the total "gross funds" budget. They also are excluded from the CAFR totals at the end of the year.

#### **Capital Funds**

The District's Capital Budget is the focus of the other two budget volumes. The Capital Budget has two components: the General Capital Improvements Fund and the Highway Trust Fund.

- The General Capital Improvements Fund accounts for all capital projects activity not in the Highway Trust Fund.
- The Highway Trust Fund accounts for capital projects financed entirely or partly by transfers of taxes, fees, capital grants, and other revenue that is dedicated to highway projects.

#### **Special Revenue Funds**

Special Revenue Funds account for specific revenue that is legally restricted to expenditures for particular purposes. The District currently has two such funds:

- The Tobacco Settlement Financing Program accounts for activities relating to the tobacco litigation settlement.
- The Tax Increment Financing Program accounts for activities relating to tax increment financing development initiatives.

#### **Proprietary Funds**

Proprietary Funds are District units that charge customers for the services provided, whether to

outside customers or to other units of the District. The District has three Proprietary Funds:

- D.C. Lottery and Charitable Games Board, which not only operates and is financed like a private business where net income is key to sound management, but also can finance the costs of its goods and services provided to the public on a continuing basis primarily through user charges. The Lottery accounts for revenue from lotteries and daily numbers games all operated by the District and from licenses to conduct charitable games. The Lottery exists solely to transfer its profits to help finance the General Fund.
- Unemployment Compensation Fund, which accounts for funds used to pay benefits to unemployed former employees of the District, federal government, and private employers within the District. The fund is administered by the Department of Employment Services.
- Non-Major Proprietary Fund, which includes three entities grouped as Nursing Home Services:
  - Washington Center for Aging Services
  - Washington Center for Aging Services Center Care
  - JB Johnson Nursing Center.

#### **Fiduciary Funds**

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for private entities, other governments, and/or other District funds. The District's fiduciary funds are:

- Pension Trust Funds, which account for resources used for retirement annuity payments for police officers, firefighters, public school teachers and their survivors. The funds are administered by a 13-member Retirement Board.
- Private Purpose Trust Funds, of which the District has one--the College Savings Investment Plan. This plan provides families with tax advantages as they save for college expenses.
- Agency funds, which account for refundable deposits required of various licenses, monies held in escrow, and other assets held by the

District in a purely custodial capacity. The funds are administered by various District agencies.

### **Component Units**

Component Units are legally separate organizations for which the elected officials of the District are financially accountable because their governing bodies are appointed by District officials. Budgets for these entities are presented in section H, Enterprise and Other Funds, of this volume. The District has five Component Units:

- D.C. Water and Sewer Authority, which accounts for the provision of water and sewer services to the District, and specific counties in Maryland and northern Virginia.
- Washington Convention Center Authority, which accounts for maintaining and operating the Washington Convention Center for local public shows, civic events, and other activities.
- Sports and Entertainment Commission, which accounts for maintaining and operating the National Guard Armory for nonmilitary events and the Robert F. Kennedy Memorial Stadium and promoting the District as a sporting event site.
- Housing Finance Agency, which accounts for cash received from public and private sources used to alleviate the shortage of housing through greater supply and less expensive mortgage and construction loans.
- University of the District of Columbia (UDC), which accounts for resources received and used by the University of the District of Columbia. The unit contains four separate fund groups: Current Funds, Loan Fund, Endowment Fund, and Plant Funds. A budget is prepared for only the Current Funds. This budget is in the Enterprise and Other Funds section; the General Fund includes only the subsidy from Local funds to the University.

### **Summary of the District's Funds and Units**

Table 3-6 displays the District's funds and units, other than the Special Revenue Funds, the Fiduciary Funds, and the Non-Major Proprietary Fund, and it displays projections of balances for FY 2004 and FY 2005. To the extent possible, the estimates use the accounting bases appropriate to each fund or unit. For the units except the University Current Funds, those bases differ from the budget bases by including depreciation expense, not principal repayments and capital expenditures. The Housing Finance Unit reflects only that unit's General Fund exclusive of federal grant pass-throughs. The financial plan for the Water and Sewer Unit is on a cash basis, not the proprietary fund basis used for the other component units.

Table 3-6

**Fund Structure and Projected Fund Balances**

(\$ thousands)

	Governmental Funds (Budget Basis)				
	Operating Funds			Capital Project Funds	
	General Fund	Federal and Private Resources Fund	Total, Operating (Gross Funds)	General Capital Improvement Fund	Highway Trust Fund
<b>Balance, September 30, 2002, per 2002 CAFR</b>	<b>865,328</b>	<b>235,799</b>	<b>n/a</b>	<b>(389,530)</b>	<b>65,985</b>
Operating revenues	3,773,279	1,441,969	5,215,248	258,992	234
Transfers in	72,050	99,075	171,125	26,510	26,808
Other sources	21,527	100,335	121,862	785,622	0
Operating expenditures	(3,714,097)	(1,625,485)	(5,339,582)	(823,398)	(41,393)
Transfers out	(99,075)	0	(99,075)	0	(26,510)
Other uses	0	0	0	0	0
Net GAAP adjustments	(21,655)	(101,473)	(123,128)	n/a	n/a
<b>Balance, September 30, 2003, per 2003 CAFR</b>	<b>897,357</b>	<b>150,220</b>	<b>n/a</b>	<b>(141,804)</b>	<b>25,124</b>
Operating revenues	3,949,832	1,932,973	5,882,805	4,687	147
Transfers in	70,200	0	70,200	37,000	27,923
Other sources	182,018	0	182,018	539,238	0
Operating expenditures	(4,109,472)	(1,932,973)	(6,042,445)	(585,137)	(38,304)
Transfers out	0	0	0	0	0
Other uses	0	0	0	0	0
Net GAAP adjustments	(200,078)	0	(200,078)	n/a	n/a
<b>Projected Balance, September 30, 2004</b>	<b>789,857</b>	<b>150,220</b>	<b>n/a</b>	<b>(146,016)</b>	<b>14,890</b>
Operating revenues	4,257,908	1,766,529	6,024,437	11,967	71
Transfers in	77,461	0	77,461	37,000	28,490
Other sources	165,015	0	165,015	515,509	0
Operating expenditures	(4,498,247)	(1,760,168)	(6,258,415)	(570,788)	(38,542)
Transfers out	0	(6,361)	(6,361)	0	0
Other uses	0	0	0	0	0
Net GAAP adjustments	(185,015)	0	(185,015)	n/a	n/a
<b>Projected Balance, September 30, 2005</b>	<b>606,979</b>	<b>150,220</b>	<b>n/a</b>	<b>(152,328)</b>	<b>4,909</b>

Notes: Transfers between funds and component units do not necessarily net to zero. For example, the Washington Convention Center receives a portion of the District's sales tax revenue each year. These revenues appear as a "transfer in" for the Convention Center, but they do not appear as a "transfer out" for the General Fund, because that portion of the sales tax is never recorded as General Fund revenues.



Table 3-6, continued

Proprietary Funds (GAAP Basis)		Component Units (GAAP Basis)				
Lottery and Games Fund	Unemployment Compensation Fund	Water and Sewer Authority	Washington Convention Center	Sports and Entertainment Commission	Housing Finance Agency	University of the District of Columbia
3,485	271,361	754,766	309,275	20,518	75,659	76,951
237,890	107,511	255,795	9,365	6,985	46,157	37,601
0	0	0	58,905	0	19,650	50,544
422	48,321	42,716	1,002	5,585	9,023	7,164
(166,185)	(165,045)	(215,975)	(45,270)	(12,340)	(50,168)	(92,901)
(72,050)	0	0	0	0	(19,649)	0
0	0	(33,329)	(19,947)	0	(459)	0
n/a	n/a	n/a	n/a	n/a	n/a	n/a
3,562	262,148	803,973	313,330	20,748	80,213	79,359
242,755	128,000	258,734	13,297	7,244	7,608	37,116
0	0	0	62,107	0	0	48,656
0	50,321	37,645	0	0	384	7,929
(172,555)	(170,000)	(233,858)	(73,838)	(7,480)	(6,410)	(93,502)
(70,200)	0	0	0	0	0	0
0	0	(44,936)	0	0	0	0
n/a	n/a	n/a	n/a	n/a	n/a	n/a
3,562	270,469	821,558	314,896	20,512	81,795	79,558
247,000	133,000	269,319	16,657	6,894	7,936	37,116
0	0	0	65,087	0	0	48,656
0	51,321	40,529	0	0	391	7,929
(173,900)	(172,000)	(241,708)	(74,970)	(7,152)	(6,083)	(93,502)
(73,100)	0	0	0	0	0	0
0	0	(56,471)	0	0	0	0
n/a	n/a	n/a	n/a	n/a	n/a	n/a
3,562	282,790	833,227	321,670	20,254	84,039	79,757